



BROWNFIELDS REVOLVING LOAN FUND

Gateway to Industrial Development

SUBJECT: LOAN UNDERWRITING CRITERIA

GENERAL UNDERWRITING GUIDELINES:

Commerce's Brownfields Revolving Loan Fund (BRLF) uses underwriting criteria similar to its other business loan programs. It follows the following "Six Financial Underwriting Guidelines" recommended by the federal Department of Housing and Urban Development (HUD)¹.

1. Cost are reasonable
2. Other financing is committed
3. Does not supplant any preexisting, committed funds
4. Project is financially feasible
5. Return to owner is reasonable (no windfalls)
6. Pro-rata or proportional disbursement of funds

BRLF LOAN TERMS:

Commerce's BRLF prefers short-term loans. It depends on the repayment of its loans to provide the funds for future loans. The following are the terms and interest rates BRLF offers.

1. **Loan Terms:**
 - A maximum of 10 years
 - Prefer five years or less
 - Incentives for three years or less

¹ 24 CFR 570.209(a) and 24 CFR 570 Appendix A: Six Financial Underwriting Guidelines

2. **Interest Rate:**

- Loans less than three years: 0.005% (1/2%)
- 4 – 5 years: 1%
- 6-7 years: 2%
- 8 – 10 years; 3%

3. **Loan Origination Fee:** 1% of loan amount

BRLF Loan Underwriting Criteria:

Consideration to fund a BRLF loan application depends on how well the project meets or surpasses the following criteria.

- **Character:** Agency history greater than 5 years
- **Capacity:** Prior success with comparable project
- **Collateral:** Minimum of 75% of loan amount
- **Conditions:** No known risk that may negate the project
- **Debt Coverage Ratio:** Greater than 110%
- **Debt-To-Worth Ratio:** No more than 200%
- **Loan to Value Ratio:** Less than 80%
- **Cash Flow Ratio:** Greater than 10%

MORE INFORMATION:

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